



**Enron Corp.**  
P.O. Box 1188  
Houston, TX 77251-1188  
(713) 853-6161

May 12, 2000

Arthur Andersen  
711 Louisiana, Suite 1300  
Houston, Texas 77002

Gentlemen:

We are providing this letter in connection with your review of the consolidated financial statements of Enron Corp. and subsidiaries (Enron) as of March 31, 2000 and for the period then ended to be included in the company's Form 10-Q quarterly report to be filed with the Securities and Exchange Commission (SEC).

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your review.

1. We are responsible for the fair presentation of the financial statements referred to above.
2. The financial statements to be included in the Form 10-Q are fairly presented, in accordance with U.S. generally accepted accounting principles, on a basis consistent with that of the audited financial statements as of December 31, 1999.
3. The financial statements to be included in the quarterly report on Form 10-Q comply as to form in all material respects with the applicable accounting requirements of the Securities Exchange Act of 1934 and the related rules and regulations adopted by the SEC, and they are presented on a basis consistent with that of the audited financial statements as of December 31, 1999.
4. Certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, but the disclosures are adequate to make the information presented not misleading.
5. We have made available to you all financial records and related data.
6. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
7. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
8. You have brought to our attention misstatements which remain uncorrected at March 31, 2000 and which are summarized in the accompanying schedule. The effects of those misstatements are not material, both individually and in the aggregate, to the financial statements taken as a whole.



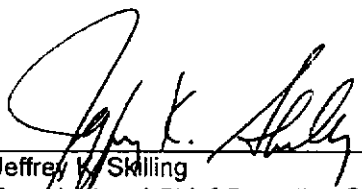
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9. There has been no:
  - a. Fraud involving management or employees who have significant roles in internal control
  - b. Fraud involving others that could have a material effect on the financial statements
10. Enron has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
11. The following have been properly recorded or disclosed in the financial statements:
  - a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (whether written or oral), and amounts receivable from or payable to related parties
  - b. Guarantees, whether written or oral, under which the company is contingently liable
  - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties* (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)
12. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5
13. Enron has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed to you.
14. Enron has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. The accounting records underlying the financial statements accurately and fairly reflect, in reasonable detail, the transactions of Enron.
16. The impact of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" will not be material on Enron's accounting for price risk management activities but the effect on its hedging activities or physical based contracts has not yet been quantified.

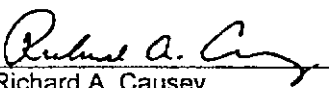
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17. At March 31, 2000, the company owns an approximate 63% interest in Dabhol Power Company (DPC). The company is not consolidating DPC as the Maharashtra State Electricity Board (MSEB) has an option to acquire additional interest in DPC from the company (at the company's cost of such interest) that would result in the company not having control of DPC. The company has received correspondence from MSEB that they "have decided to invest in DPC Phase-II for acquiring 30% equity in DPC Phase-II project", which would reduce the company's ownership interest in DPC to a 50% non-controlling interest. The company has not received communication from MSEB that it no longer intends to exercise its option. In the event that MSEB exercises its option, the company believes that it is probable that the resulting sale will close prior to June 30, 2000, or at such date the company will have a firm commitment in place to close shortly thereafter. However considering the above, the company has recognized its share of earnings from DPC based on its actual 63% ownership interest, as earnings at such level will ultimately be realized by the company. To realize such incremental earnings, the company has the ability to control and will declare a cash dividend from DPC prior to the effective date of a sale of the company's interest in a sufficient amount to realize the U.S. GAAP equity in earnings recognized in excess of those otherwise calculated at a 50% ownership interest.
18. No events have occurred subsequent to the balance-sheet date that have a material effect on the financial statements or that should be disclosed in order to keep those financial statements from being misleading.

  
Jeffrey K. Skilling  
President and Chief Operating Officer

  
James V. Derrick  
Executive Vice President and General Counsel

RRR

  
Richard A. Causey  
Executive Vice President and  
Chief Accounting Officer



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Enron Corp  
1st Quarter 2000

Proposed adjusting journal entries - Income/(expense)

		<u>Current Quarter Evaluation</u>	<u>Cumulative Evaluation</u>
(1)	To properly accrue for expenses related to clean-up costs in association with the Transredes oil spill. (South America)	(\$7.5)	(\$7.5)
(2)	To properly recognize operating expenses for Transredes (South America)	-	(\$24.0)
<b>Total:</b>			
	Pretax	(\$7.5)	(\$31.5)
	Aftertax (35% statutory rate)	(\$4.9)	(\$20.5)

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